

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**REPORT ON THE EXAMINATION  
OF THE DISTRICT OF COLUMBIA'S  
HIGHWAY TRUST FUND  
FORECAST STATEMENTS**



**CHARLES C. MADDOX, ESQ.  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



May 31, 2002

The Honorable Anthony A. Williams  
Mayor  
District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20004

Dear Mayor Williams:

The Office of the Inspector General has completed an examination of the District of Columbia Highway Trust Fund's 7-year forecast of expenditure conditions and operations. The Department of Public Works administers the Highway Trust Fund (Fund) for the District of Columbia government, and is responsible for preparing the forecast.

Our examination included a review of existing internal controls for the purpose of expressing an opinion on the accompanying forecasted statements. Although we found no instances of noncompliance that would be reportable under generally accepted government auditing standards, please note that the objective of our review was not to provide an opinion on overall compliance with such provisions.

In our opinion, the forecasted statements referred to above are presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants. The underlying assumptions made and methodologies used to develop the statements provide a reasonable basis for the 7-year forecast.

We appreciate the cooperation and courtesies extended to our staff during the examination. If you have questions please call me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink that reads "Austin Anderson, Deputy IG".

*cc* Charles C. Maddox, Esq.  
Inspector General

CCM/ws

Enclosure

cc: See attached page for distribution list

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**AUDIT OF THE DISTRICT OF COLUMBIA'S  
HIGHWAY TRUST FUND  
FORECAST STATEMENTS**

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## **AUDIT OF THE DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND FORECAST STATEMENTS**

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### **OVERVIEW**

This report summarizes the Office of the Inspector General's (OIG) review of the District of Columbia Highway Trust Fund's (Fund) 7-year forecast of expenditures, conditions, and operations. The objectives of our review were to evaluate the underlying assumptions made and methodologies used to develop the statements. These statements are used to provide a reasonable basis for the 7-year forecast of the District's ability to meet future local matching requirements under the Federal Highway Administration Program for capital improvements to the District's transportation structure. We conducted our examination in accordance with the American Institute of Certified Public Accountants criteria and included such tests as we considered necessary under the circumstances.

### **BACKGROUND**

D.C. Code § 9-109.02(e) (2001) requires that the District prepare and that the OIG examine the forecast statements of the Fund's expected conditions and operations for the next 5 years to determine the District's ability to meet future local matching requirements under the Federal Highway Administration Program for capital improvements to the District's transportation structure.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

Government fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate accounting classification with a self-balancing set of accounts.

The Highway Trust Fund is an Agency Fund, which is used to account for the monies held in escrow by the District as an agent for the motor vehicle fuel taxes and fees collected for the District's share of federal-aid highway projects. The District accounts for the construction of federal-aid highway projects, which are mostly financed by the Department of Transportation's Federal Highway Administration (FHWA) grants in the Capital Projects Fund. The monies from the Fund are transferred on a reimburseable basis into the Capital Projects Fund to cover the District's share of the federal-aid highway projects.

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## **AUDIT OF THE DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND FORECAST STATEMENTS**

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### **BASIS OF ACCOUNTING**

The modified accrual basis of accounting is used to account for the Fund. Under the modified accrual basis of accounting, revenues are recognized when they become both "measurable" and "available." Measurable means the amount of the transaction can be determined and available means monies are collectible within the current period, or soon thereafter, to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are sales and use taxes and interest. Sales and use taxes are recognized as revenue when the sale and use take place. Interest is recognized as revenue through the passage of time.

### **MANAGEMENT ASSUMPTIONS**

The 7-year forecast, which is published for the fiscal year (FY) 2002 Capital Budget and FYs 2002 – 2008 Capital Improvement Plans, presents, to the best of management's knowledge and belief, the Fund's expected cash flows from FYs 2002 to 2008. Accordingly, the forecast reflects management's judgment, as of February 15, 2002, of the Fund's expected conditions, operations, and course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently change due to the nature of the activities covered by the Fund (major design and construction), and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The 7-year forecasted statements are based on the following assumptions:

- The "D.C. Transportation Trust Fund" columns represent estimated local revenue sources from motor vehicle fuel tax collections and interest earnings, less the District's share of project expenditures that are subject to federal aid match.
- The "Federal Aid" columns represent the federal aid commitment balances and projection of matching grants for known highway projects.
- The FY 2001 amounts are based on actual amounts included in the District's FY 2001 Comprehensive Annual Financial Report (CAFR). The amounts include the beginning Highway Trust Fund balances for the local share and federal aid. The local share equals the audited cash and investment amounts as of September 30 2000, plus the FY 2001 collections and receivables as of September 30, 2001, less the FY 2001 payments of the

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## AUDIT OF THE DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND FORECAST STATEMENTS

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audited outstanding liabilities as of September 30, 2001. The federal aid amount includes the federal share of FHWA financed projects in progress or completed, but not closed.

- Interest earnings are estimated using a 1.50 percent annual interest rate on the rolling monthly average cash balance. Management used zero interest when the monthly rolling balance reported a cumulative negative interest earned for the year.
- The estimated uses for project management, non-participating costs, design, site construction, and equipment costs are based on the actual estimated completion date for the phase of each federal-aid highway project. The project management and design, site, construction, and equipment costs, which are eligible for matching federal aid are allocated based on the federal and local share of each individual project. The non-participating costs are those costs that are not eligible for federal aid match and include overhead construction engineering costs, utility and sewer repair, and construction enhancement not covered by FHWA.
- The District assumes that the \$5 million in the revolving fund account, which was borrowed from the District's Capital Operating Fund to establish the revolving fund bank account, will not require repayment prior to FY 2004.

### NOTES TO FORECAST STATEMENTS

#### REVENUE SOURCES

Beginning Balance - The audited Fund Balance for FY 2001. Each year thereafter is the result of the ending balance carried forward to the next fiscal year in the forecast.

Interest Earnings – Annual estimated earnings, calculated at a rate of 1.5 percent, on the beginning balance plus annual revenues minus expenditures.

Motor Fuel Tax - Annual estimated use tax earned on motor fuel sold in the District.

Federal Aid Apportionment - Federal funding provided to all states and the District of Columbia by legislation enacted by Congress. The apportionment also includes estimated special allocations and grant awards of federal funds.

Right-of-Way Rental Fees - Annual estimated fees paid by companies occupying public space in the District of Columbia. Right-of-way rental fees are not part of the funding source for the

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## AUDIT OF THE DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND FORECAST STATEMENTS

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Highway Trust Fund. A separate forecast is prepared to report on the local road construction and maintenance fund.

### USE OF FUNDS

Estimated Project Management Costs - Annual estimated costs for salaries of in-house employees and contracted construction management services.

Estimated Non-Participating Costs – Annual estimated costs not eligible for matching federal aid and include overhead costs in excess of the 15 percent of construction cost, utility and sewage repairs, and construction enhancement not covered by the FHWA.

Estimated Design, Site, Construction, And Equipment Costs – Annual estimated costs eligible for matching federal aid funds.

### ENDING BALANCE

The ending balance is the result of the opening balance from the audited financial statement plus the amount of forecasted revenues less the use of funds for estimated project expenditures. The ending balance is carried over to the following fiscal year as the beginning balance.

### REVOLVING FUND BALANCE

The revolving fund balance is the amount borrowed from the District's Capital Operating Fund to establish the Revolving fund account for the prompt payment of contractors completing highway projects in the District of Columbia.

### ADJUSTMENTS

During the course of our review, it was identified that right-of-way rental fee income was reported in the Fund's FY 2001 financial statement audit that was part of the Fund's ending balance. The right-of-way rental fees are designated for local road construction and maintenance use and are not part of the funding for Fund projects. A separate forecast is prepared by the Department of Public Works for local roads construction and maintenance projects based on projected right-of-way rental fee collections. As such, an adjustment was made to properly reduce this amount from the Fund's balance. Additionally, an adjustment was made to remove general obligation bonds from non-participating costs reported in FY 2001 audited financial statements.



**DISTRICT OF COLUMBIA HIGHWAY TRUST FUND TRANSPORTATION CAPITAL  
PROGRAM FORECAST STATEMENTS FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2001 AND 2002  
(\$000s)**

	<b>D.C. Transportation Trust Fund FY 2001</b>	<b>Federal Aid FY 2001</b>	<b>Total FY 2001</b>	<b>D.C. Transportation Trust Fund FY 2002</b>	<b>Federal Aid FY 2002</b>	<b>Total FY 2002</b>
<b>Revenue Sources</b>						
<b>Beginning Balance</b>	\$ 65,963	\$ 505,194	\$ 571,157	\$ 45,812	\$ 446,392	\$ 492,204
Interest Earnings	3,796	-	3,796	590	-	590
Motor Fuel Tax	28,484	-	28,484	28,856	-	28,856
Federal Aid Apportionment	-	121,000	121,000	-	123,420	123,420
Right-of-Way Rental Fees	8,826	-	8,826	-	-	-
<b>Total Revenues</b>	<u>\$ 107,069</u>	<u>\$ 626,194</u>	<u>\$ 733,263</u>	<u>\$ 75,258</u>	<u>\$ 569,812</u>	<u>\$ 645,070</u>
<b>Use Of Funds</b>						
Est. Project Management	\$ 6,469	\$ 15,984	\$ 22,453	\$ 3,144	\$ 13,310	\$ 16,454
Est. Non-Participating Cost	9,965	-	9,965	2,011	-	2,011
Est. Design, Site, Construction	36,191	163,818	200,009	36,172	171,955	208,127
<b>Total Expenditures</b>	<u>\$ 52,625</u>	<u>\$ 179,802</u>	<u>\$ 232,427</u>	<u>\$ 41,327</u>	<u>\$ 185,265</u>	<u>\$ 226,592</u>
<b>Sub-Total</b>	\$ 54,444	\$ 446,392	\$ 500,836	\$ 33,931	\$ 384,547	\$ 418,478
<b>Less Adjustments</b>						
Right-of-Way Revenue	(8,826)	-	(8,826)			
Non-participating costs	<u>194</u>	-	<u>194</u>			
<b>Total Net Adjustment</b>	<u>(8,632)</u>	<u>-</u>	<u>(8,632)</u>			
<b>ENDING BALANCE</b>	<u>\$ 45,812</u>	<u>\$ 446,392</u>	<u>\$ 492,204</u>	<u>\$ 33,931</u>	<u>\$ 384,547</u>	<u>\$ 418,478</u>
<b>REVOLVING FUND</b>						
<b>BALANCE</b>	\$ 5,000			\$ 5,000		

**DISTRICT OF COLUMBIA HIGHWAY TRUST FUND TRANSPORTATION  
CAPITAL PROGRAM FORECAST STATEMENTS FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2003 AND 2004  
(\$000s)**

	<b>D.C. Transportation Trust Fund FY 2003</b>	<b>Federal Aid FY 2003</b>	<b>Total FY 2003</b>	<b>D.C. Transportation Trust Fund FY 2004</b>	<b>Federal Aid FY 2004</b>	<b>Total FY 2004</b>
<b>Revenue Sources</b>						
Beginning Balance	\$ 33,931	\$ 384,547	\$ 418,478	\$ 24,997	\$ 301,996	\$ 326,993
Interest Earnings	436	-	436	266	-	266
Motor Fuel Tax	28,960	-	28,960	29,845	-	29,845
Federal Aid Apportionment	-	125,889	125,889	-	128,406	128,406
<b>Total Revenues</b>	<b>\$ 63,327</b>	<b>\$ 510,436</b>	<b>\$ 573,763</b>	<b>\$ 55,108</b>	<b>\$ 430,402</b>	<b>\$ 485,510</b>
<b>Use Of Funds</b>						
Est. Project Management	\$ 2,781	\$ 17,937	\$ 20,718	\$ 4,499	\$ 24,405	\$ 28,904
Est. Non-Participating Cost	1,857	-	1,857	2,215	-	2,215
Est. Design, Site, Construction and Equipment Cost	33,692	190,503	224,195	36,830	216,545	253,375
<b>Total Expenditures</b>	<b>\$ 38,330</b>	<b>\$ 208,440</b>	<b>246,770</b>	<b>\$ 43,544</b>	<b>\$ 240,950</b>	<b>\$ 284,494</b>
<b>ENDING BALANCE</b>	<b>\$ 24,997</b>	<b>\$ 301,996</b>	<b>\$326,993</b>	<b>\$ 11,564</b>	<b>\$ 189,452</b>	<b>\$ 201,016</b>
<b>REVOLVING FUND BALANCE</b>	<b>\$ 5,000</b>			<b>\$ 5,000</b>		

**DISTRICT OF COLUMBIA HIGHWAY TRUST FUND TRANSPORTATION  
CAPITAL PROGRAM FORECAST STATEMENTS FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2005 AND 2006  
(\$000s)**

	<b>D.C. Transportation Trust Fund FY 2005</b>	<b>Federal Aid FY 2005</b>	<b>Total FY 2005</b>	<b>D.C. Transportation Trust Fund FY 2006</b>	<b>Federal Aid FY 2006</b>	<b>Total FY 2006</b>
<b>Revenue Sources</b>						
Beginning Balance	\$ 11,564	\$ 189,452	\$ 201,016	\$ 635	\$ 101,567	\$ 102,202
Interest Earnings	84	-	84	-	-	-
Motor Fuel Tax	30,563	-	30,563	31,299	-	31,299
Federal Aid Apportionment	-	130,974	130,974	-	133,593	133,593
<b>Total Revenues</b>	<u>\$ 42,211</u>	<u>\$ 320,426</u>	<u>\$ 362,637</u>	<u>\$ 31,934</u>	<u>\$ 235,160</u>	<u>\$ 267,094</u>
<b>Use Of Funds</b>						
Est. Project Management	\$ 5,559	\$ 25,408	\$ 30,967	\$ 5,762	\$ 23,673	\$ 29,435
Est. Non-Participating Cost	2,224	-	2,224	2,041	-	2,041
Est. Design, Site, Construction and Equipment Cost	33,793	193,451	227,244	28,836	171,064	199,900
<b>Total Expenditures</b>	<u>\$ 41,576</u>	<u>\$ 218,859</u>	<u>\$ 260,435</u>	<u>\$ 36,639</u>	<u>\$ 194,737</u>	<u>\$ 231,376</u>
<b>ENDING BALANCE</b>	<u>\$ 635</u>	<u>\$ 101,567</u>	<u>\$ 102,202</u>	<u>\$ (4,705)</u>	<u>\$ 40,423</u>	<u>\$ 35,718</u>
<b>REVOLVING FUND BALANCE</b>	\$ 5,000			\$ 5,000		

**DISTRICT OF COLUMBIA HIGHWAY TRUST FUND TRANSPORTATION  
CAPITAL PROGRAM FORECAST STATEMENTS FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2007 AND 2008  
(\$000s)**

	<b>D.C. Transportation Trust Fund FY 2007</b>	<b>Federal Aid FY 2007</b>	<b>Total FY 2007</b>	<b>D.C. Transportation Trust Fund FY 2008</b>	<b>Federal Aid FY 2008</b>	<b>Total FY 2008</b>
<b>Revenue Sources</b>						
Beginning Balance	\$ (4,705)	\$ 40,423	\$ 35,718	\$ 1,742	\$ 28,440	\$ 30,182
Interest Earnings	-	-	-	94	-	94
Motor Fuel Tax	32,053	-	32,053	32,825	-	32,825
Federal Aid Apportionment	-	135,000	135,000	-	135,000	135,000
<b>Total Revenues</b>	<u>\$ 27,348</u>	<u>\$ 175,423</u>	<u>\$ 202,771</u>	<u>\$ 34,661</u>	<u>\$ 163,440</u>	<u>\$ 198,101</u>
<b>Use Of Funds</b>						
Est. Project Management	\$ 3,978	17,220	21,198	\$ 3,613	\$ 14,979	\$ 18,592
Est. Non-Participating Cost	1,422	-	1,422	1,338	-	1,338
Est. Design, Site, Construction and Equipment Cost	<u>20,206</u>	<u>129,763</u>	<u>149,969</u>	<u>19,496</u>	<u>121,636</u>	<u>141,132</u>
<b>Total Expenditures</b>	<u>\$ 25,606</u>	<u>\$ 146,983</u>	<u>\$ 172,589</u>	<u>\$ 24,447</u>	<u>\$ 136,615</u>	<u>\$ 161,062</u>
<b>ENDING BALANCE</b>	<u>\$ 1,742</u>	<u>\$ 28,440</u>	<u>\$ 30,182</u>	<u>\$ 10,214</u>	<u>\$ 26,825</u>	<u>\$ 37,039</u>
<b>REVOLVING FUND BALANCE</b>	\$ 5,000			\$ 5,000		

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



May 31, 2002

**Auditor's Report on Forecast Statements**

The Honorable Anthony A. Williams  
Mayor  
District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20004

Dear Mayor Williams:

The Office of the Inspector General has completed an examination of the District of Columbia Highway Trust Fund's 7-year forecast of expenditure conditions and operations. The 7-year forecast, which is published for the FY 2002 Capital Budget, is for the fiscal years (FY) 2002 through 2008 Capital Improvement Plans. Our examination was made in accordance with standards for an examination of a forecast established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Sincerely yours,

*Austin Anderson, Deputy IG*

*for* Charles C. Maddox, Esq.  
Inspector General

CCM/ws

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER



Servicing Agencies  
Department of Public Works  
Department of Motor Vehicles

**MEMORANDUM**

**To:** Charles C. Maddox, Esquire  
Inspector General

**From:** Chief Financial Officer  
DPW/DDOT/DMV

**Date:** May 31, 2002

**Subject:** Office of the Inspector General FY 2002 Audit of the Highway Trust Fund

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Upon request of Jim Segar, Senior Auditor for the Office of the Inspector General and on behalf of the responsible agency, the District Department of Transportation, (DDOT) authorized officials of the Office of the Chief Financial Officer have completed their review of the Highway Trust Fund Audit. Our review of the Highway Trust Fund Audit findings revealed no abnormalities or misunderstandings regarding information provided to the representatives of the Office of the Inspector General and the conclusions reached. We hereby agree with the findings in principal and the interpretation of methodologies and assumptions for both revenue and spending projections through fiscal year 2008.

We are of the opinion that the annual audit of the Highway Trust Fund was again performed in a professional manner with respect to other priorities within the Office of the Chief Financial Officer. We also appreciate the time and effort dedicated to this task in light of the constrained time frame. If you have additional questions, please call me on 671-2366, William Lewis, DDOT Financial Manager.

Attachments (1)

cc: Dan Tangherlini  
William Lewis